

Extra Mile Education Foundation

Financial Statements

Years Ended December 31, 2017 and 2016
with Independent Auditor's Report

MaherDuessel

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EXTRA MILE EDUCATION FOUNDATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

**Board of Directors
Extra Mile
Education Foundation**

We have audited the accompanying financial statements of the Extra Mile Education Foundation (Foundation), a non-profit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maier Duessel

Pittsburgh, Pennsylvania
October 30, 2018

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Cash and cash equivalents	\$ 942,020	\$ 1,911,993	\$ 434,181	\$ 753,753	\$ 49	\$ 49	\$ 1,376,250	\$ 2,665,795
Investments	2,531,744	12,242	15,921,254	15,933,913	938,612	799,828	19,391,610	16,745,983
Accounts receivable	346,016	388,831	-	-	-	-	346,016	388,831
Pledges receivable for:								
Special programs:								
Due in one year	35,000	35,000	-	-	-	-	35,000	35,000
Due after one year	96,429	130,714	-	-	-	-	96,429	130,714
School subsidies:								
Due in one year	50,000	71,243	-	-	-	-	50,000	71,243
Due after one year	45,000	95,000	-	-	-	-	45,000	95,000
Other receivables	936	136	13,716	8,878	-	-	14,652	9,014
Furniture, fixtures and equipment, net of accumulated depreciation of \$21,516 in 2017 and \$20,023 in 2016	7,701	-	-	-	-	-	7,701	-
Prepaid expense	3,649	3,560	-	-	-	-	3,649	3,560
Due from/to other funds	208,366	1,948,354	(208,366)	(1,948,354)	-	-	-	-
Total Assets	\$ 4,266,861	\$ 4,597,073	\$ 16,160,785	\$ 14,748,190	\$ 938,661	\$ 799,877	\$ 21,366,307	\$ 20,145,140
Liabilities and Net Assets								
Liabilities:								
Accounts payable	\$ 21,739	\$ 51,804	\$ -	\$ -	\$ -	\$ -	\$ 21,739	\$ 51,804
Grants payable	875,004	463,057	-	-	-	-	875,004	463,057
Total Liabilities	896,743	514,861	-	-	-	-	896,743	514,861
Net Assets:								
Unrestricted	978,366	978,366	-	-	-	-	978,366	978,366
Unrestricted - board-designated	-	-	810,450	798,681	938,661	799,877	1,749,111	1,598,558
Temporarily restricted	2,391,752	3,103,846	416,213	347,141	-	-	2,807,965	3,450,987
Permanently restricted	-	-	14,934,122	13,602,368	-	-	14,934,122	13,602,368
Total Net Assets	3,370,118	4,082,212	16,160,785	14,748,190	938,661	799,877	20,469,564	19,630,279
Total Liabilities and Net Assets	\$ 4,266,861	\$ 4,597,073	\$ 16,160,785	\$ 14,748,190	\$ 938,661	\$ 799,877	\$ 21,366,307	\$ 20,145,140

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Unrestricted Net Assets:								
Revenue and gains:								
Donations	\$ 969,462	\$ 1,048,224	\$ -	\$ -	\$ -	\$ -	\$ 969,462	\$ 1,048,224
Fundraising event income	204,070	164,086	-	-	-	-	204,070	164,086
Interest and dividends	35,719	3,401	-	-	15,728	17,085	51,447	20,486
Realized gains (losses)	60,579	2,042	-	-	-	-	60,579	2,042
Unrealized (depreciation) appreciation on investments	24,511	-	-	-	123,056	10,349	147,567	10,349
Net assets released from restrictions	858,034	291,882	1,018,718	987,024	-	-	1,876,752	1,278,906
Total revenue, net of losses	2,152,375	1,509,635	1,018,718	987,024	138,784	27,434	3,309,877	2,524,093
Expenses:								
Administrative expenses: Office expense	592,464	614,156	-	-	-	-	592,464	614,156
Program expenses: Grants	1,766,111	1,877,805	-	-	-	-	1,766,111	1,877,805
Specific purpose grants	745,685	94,382	-	-	-	-	745,685	94,382
Fundraising expenses: Fundraising event expense	55,064	43,745	-	-	-	-	55,064	43,745
Total expenses	3,159,324	2,630,088	-	-	-	-	3,159,324	2,630,088
Change in unrestricted net assets before appropriation	(1,006,949)	(1,120,453)	1,018,718	987,024	138,784	27,434	150,553	(105,995)
Appropriated for grants	1,006,949	1,120,453	(1,006,949)	(1,120,453)	-	-	-	-
Change in unrestricted net assets	-	-	11,769	(133,429)	138,784	27,434	150,553	(105,995)
Temporarily Restricted Net Assets:								
Revenues:								
Donations	130,940	233,599	-	-	-	-	130,940	233,599
Restricted programs donations	15,000	535,000	-	-	-	-	15,000	535,000
Net assets released from permanent restrictions	-	-	1,087,790	1,052,885	-	-	1,087,790	1,052,885
Net assets released from restrictions	(858,034)	(291,882)	(1,018,718)	(987,024)	-	-	(1,876,752)	(1,278,906)
Change in temporarily restricted net assets	(712,094)	476,717	69,072	65,861	-	-	(643,022)	542,578
Permanently Restricted Net Assets:								
Revenues:								
Donations	-	-	-	250,000	-	-	-	250,000
Investment income	-	-	292,769	328,446	-	-	292,769	328,446
Investment fees	-	-	(91,361)	(89,367)	-	-	(91,361)	(89,367)
Realized gains (losses)	-	-	551,374	338,483	-	-	551,374	338,483
Unrealized (depreciation) appreciation on investments	-	-	1,666,762	383,722	-	-	1,666,762	383,722
Net assets released from restrictions	-	-	(1,087,790)	(1,052,885)	-	-	(1,087,790)	(1,052,885)
Change in permanently restricted net assets	-	-	1,331,754	158,399	-	-	1,331,754	158,399
Change in Net Assets	(712,094)	476,717	1,412,595	90,831	138,784	27,434	839,285	594,982
Net Assets:								
Beginning of year	4,082,212	3,605,495	14,748,190	14,657,359	799,877	772,443	19,630,279	19,035,297
End of year	<u>\$ 3,370,118</u>	<u>\$ 4,082,212</u>	<u>\$ 16,160,785</u>	<u>\$ 14,748,190</u>	<u>\$ 938,661</u>	<u>\$ 799,877</u>	<u>\$ 20,469,564</u>	<u>\$ 19,630,279</u>

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash Flows From Operating Activities:								
Change in net assets	\$ (712,094)	\$ 476,717	\$ 1,412,595	\$ 90,831	\$ 138,784	\$ 27,434	\$ 839,285	\$ 594,982
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:								
Unrealized depreciation (appreciation) on investments	(24,511)	-	(1,666,762)	(383,722)	(123,056)	(10,349)	(1,814,329)	(394,071)
Realized (gains) losses	(60,579)	(2,042)	(551,374)	(338,483)	-	-	(611,953)	(340,525)
Depreciation expense	1,493	751	-	-	-	-	1,493	751
Contributions restricted for long-term purposes	-	-	-	(250,000)	-	-	-	(250,000)
Change in operating assets and liabilities:								
Accounts receivable	42,815	317,412	-	3,750	-	-	42,815	321,162
Pledges receivable	105,528	394,230	-	-	-	-	105,528	394,230
Other receivables	(800)	(108)	(4,838)	4,498	-	-	(5,638)	4,390
Prepaid expense	(89)	3,672	-	-	-	-	(89)	3,672
Due from/to other funds	1,739,988	(853,291)	(1,739,988)	860,453	-	(7,162)	-	-
Accounts payable	(30,065)	(12,959)	-	-	-	-	(30,065)	(12,959)
Grants payable	411,947	(145,729)	-	-	-	-	411,947	(145,729)
Net cash (used in) provided by operating activities	1,473,633	178,653	(2,550,367)	(12,673)	15,728	9,923	(1,061,006)	175,903
Cash Flows From Investing Activities:								
Decrease (increase) in investments, net	(2,434,412)	1,998	2,230,795	(247,109)	(15,728)	(17,084)	(219,345)	(262,195)
(Increase) decrease in furniture, fixtures and equipment	(9,194)	-	-	-	-	-	(9,194)	-
Net cash provided by (used in) investing activities	(2,443,606)	1,998	2,230,795	(247,109)	(15,728)	(17,084)	(228,539)	(262,195)
Cash Flows From Financing Activities:								
Receipt of contributions restricted for long-term purposes	-	-	-	250,000	-	-	-	250,000
Net Increase (Decrease) in Cash and Cash Equivalents	(969,973)	180,651	(319,572)	(9,782)	-	(7,161)	(1,289,545)	163,708
Cash and Cash Equivalents:								
Beginning of year	1,911,993	1,731,342	753,753	763,535	49	7,210	2,665,795	2,502,087
End of year	\$ 942,020	\$ 1,911,993	\$ 434,181	\$ 753,753	\$ 49	\$ 49	\$ 1,376,250	\$ 2,665,795

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Organization

The Extra Mile Education Foundation (Foundation) established January 1, 1990, is a Pennsylvania non-profit corporation formed exclusively for charitable, educational, and scientific purposes. The Foundation promotes the interests of inner-city and other schools that are operated by the Catholic Diocese of Pittsburgh (Diocese) or Roman Catholic parishes of the Diocese. All of its efforts are directed toward seeking community support for the educational needs and improvements in educational opportunities of children attending the following two inner-city parish schools: Saint Benedict the Moor, Hill District and Sister Thea Bowman Academy, Wilkinsburg. In addition, the Foundation provides scholarship support in accordance with its mission to children attending Northside Catholic, East Catholic, Saint John Bosco, Sacred Heart, Saint Raphael, Saint Rosalia, and Saint Maria Goretti. Note 6 describes future funding strategies from the Foundation.

The Foundation's Board of Directors (Board) consists of twenty-one members. No director, by reason of their directorship, is entitled to any salary or other compensation from the Foundation.

The Foundation has received a determination letter from the Internal Revenue Service, effective as of November 13, 2006, stating it as an organization qualified under Section 501(c)(3) of the Internal Revenue Code (IRC) to be exempt from federal income taxes and, furthermore, has public charity status under Section 170(b)(1)(A)(vi). Further, the Foundation annually files a Form 990.

2. Summary of Significant Accounting Policies

Fund Accounting

The Foundation reports its financial activities in three funds, the General Fund, the Inner-City Endowment Fund, and the Education Impact Fund. Grants made by, and administrative costs of, the Foundation are recorded in the General Fund.

The Education Impact Fund benefits students transitioning from middle school to high school and was created as part of the Foundation's Ninth Grade Matters initiative.

The Inner-City Endowment Fund is designated for grants to the inner-city elementary schools supported by the Foundation.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

Investment and Spending Policies

The Foundation invests its endowment funds to provide optimum total returns over an extended period in a manner that is intended to produce a return/risk profile with emphasis on capital preservation while assuming a moderate level of investment risk. Investment decisions are made with emphasis on quality, diversification of risk, and the need to increase purchasing power. Investments may be made either directly or through co-mingled or mutual funds or partnerships. Limits regarding sector diversifications or individual securities are determined by the investment managers, the Foundation's Investment Committee and asset allocation guidelines are provided for in the investment policy adopted by the Board.

With respect to the Inner-City Fund, the Board elected, beginning with year 2000, a spending policy under Act 141 of the Commonwealth of Pennsylvania. The policy allows the Foundation, subject to approval of its Board, to spend annually between 2% and 7% of the three-year average fair value of the endowment investment portfolio as of the end of the preceding three years. For 2017 and 2016, the approved percentage for the Inner-City Endowment Fund was 7.0% unless otherwise restricted. Total allowable distributions of \$1,087,790 and \$1,052,885, respectively, for 2017 and 2016, are shown as net assets released from permanent restrictions from the Inner-City Endowment Fund.

The Board approved that if less than 7.0% of the average fair value of the inner-city endowment investment portfolio at the end of the preceding three years is needed to fund grants, the difference is to remain with the Inner-City Endowment Fund as unrestricted – Board-designated net assets. At December 31, 2017 and 2016, the accumulated balance in the Inner-City Endowment Fund as unrestricted – Board-designated net assets totaled \$810,450 and \$798,681, respectively.

The endowment assets used by the Foundation to provide income for the maintenance and granting activities of the Foundation are composed of cash and investments held by the Foundation. During 2017 and 2016, the Foundation had the following endowment-related activities:

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YEARS ENDED DECEMBER 31, 2017 AND 2016

Inner-City Endowment Fund		
	2017	2016
Investment return:		
Investment income	\$ 839,305	\$ 671,427
Net appreciation	1,666,762	383,722
Investment expense	(91,361)	(89,367)
Total net investment return	2,414,706	965,782
Donations received	-	253,750
Amounts distributed	(2,746,937)	(260,000)
Change in endowment funds	(332,231)	959,532
Endowment Funds:		
Beginning of year	16,687,666	15,728,134
End of year	\$ 16,355,435	\$ 16,687,666
Endowment Funds:		
Cash	\$ 434,181	\$ 753,753
Investments	15,921,254	15,933,913
Total Endowment Funds	\$ 16,355,435	\$ 16,687,666

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash, investments in marketable securities, accounts receivable, and pledges receivable. As a matter of policy, the Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment

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YEARS ENDED DECEMBER 31, 2017 AND 2016

funds among asset managers and the overall diversification of managed investment portfolios.

Investments

Investments are reported at fair value, based on quoted market prices and other assumptions made by market participants as further described in Note 3. Realized and unrealized gains or losses are determined based on specific identification by comparison of asset cost to net proceeds received at the time of disposal or changes in the difference between fair values and cost, respectively. Realized and unrealized gains or losses are reflected in the applicable unrestricted, temporarily, or permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all money market accounts and highly liquid investment purchases with maturities of three months or less to be cash equivalents.

Pledges Receivable

The Foundation records the receivable for unconditional pledges, and corresponding revenue, at estimated net realizable value when the commitment is made. Pledges receivable are recorded based on written commitments of the donors. Pledges receivable are reclassified to permanently restricted net assets upon receipt if so designated by the donor. At December 31, 2017 and 2016, pledges receivable balances have been considered to be fully collectible by management; accordingly, no allowance for doubtful accounts has been provided.

Contributed Services

Contributions of services are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation reports such contributions at their estimated fair value when received. For the years ended December 31, 2017 and 2016, the Foundation recognized contributed goods and services of \$96,112 and \$85,680, respectively.

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Grants Payable

The Foundation recognizes a liability and corresponding expense for grants in the amount expected to be paid when approved by the Board of Directors. Grants payable at December 31, 2017 and 2016 is \$875,004 and \$463,057, respectively. The grants payable balance, reported as of December 31, 2017, is expected to be paid by the Foundation during 2018.

Accounting for Net Assets

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net asset balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions, a portion of which is internally designated for charitable needs. Unrestricted net assets designated by the Board of Trustees (Board) provide income for a future designated period.

Temporarily restricted net assets – Gifts received with explicit donor restrictions that specify when or how the assets are to be used are reported as temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the principal of the gift to be maintained permanently by the Foundation with the income earned thereon to be used based on the donors' stipulations. Pledges made to the endowment fund are also included in permanently restricted net assets.

Adopted Pronouncement

The requirements of the following Financial Accounting Standards Board (FASB) Statement were adopted for the financial statements:

ASU 2015-07, "*Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*," removes the requirement to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. Instead, the

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amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The guidance requires retrospective application. As a result of adopting this standard, prior period disclosures related to fair value measurement have been revised.

Pending Standards Update

FASB has issued amendments of the FASB Accounting Standard Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on the Foundation's financial statements:

ASU 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,"* is effective for the financial statements for the year ending December 31, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

ASU 2016-02, *"Leases (Topic 842),"* is effective for the financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

On March 27, 2018, the Foundation's Board approved providing operational support, with the start of the 2018-2019 school year, to Northside Catholic Assumption Academy. See Note 6 for more information.

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NOTES TO FINANCIAL STATEMENTS

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3. Investments

The following is the composition at cost and fair value of investments held by the General, Inner-City Endowment, and Education Impact Funds at December 31, 2017 and 2016. Cost represents the original purchase price adjusted for the amortization of purchase discounts or premiums.

	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds - equity	\$ 7,188,918	\$ 10,121,011	\$ 2,932,093
Mutual funds - fixed	1,217,806	1,209,814	(7,992)
Common stock	1,704,334	2,620,443	916,109
Bond funds	2,824,183	2,972,328	148,145
Capital appreciation funds	777,449	938,611	161,162
Other investments	1,508,150	1,529,403	21,253
	<u>\$ 15,220,840</u>	<u>\$ 19,391,610</u>	<u>\$ 4,170,770</u>

	December 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds - equity	\$ 6,405,888	\$ 8,120,387	\$ 1,714,499
Mutual funds - fixed	1,222,116	1,204,541	(17,575)
Common stock	1,555,105	2,056,597	501,492
Bond funds	2,703,574	2,827,903	124,329
Capital appreciation funds	761,721	799,828	38,107
Other investments	1,741,138	1,736,727	(4,411)
	<u>\$ 14,389,542</u>	<u>\$ 16,745,983</u>	<u>\$ 2,356,441</u>

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NOTES TO FINANCIAL STATEMENTS

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Fair Value Measurement

In accordance with accounting principles generally accepted in the United States of America, all investments of the Foundation are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon “measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.” Level 2 is defined as inputs based upon “measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.” Level 3 is defined as inputs based upon “significant unobservable inputs, as they trade infrequently or not at all.”

The following table summarizes the fair value measurement categories of investments held as of December 31, 2017 and 2016:

Fair Value Measurements at Reporting Date Using:		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Level 1	\$ 19,005,234	\$ 16,326,281
Level 3	12,000	12,000
Investments measured at net asset value*	<u>374,376</u>	<u>407,702</u>
Investments at fair value	<u>\$ 19,391,610</u>	<u>\$ 16,745,983</u>

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Level 3 investments held by the Foundation include an investment in gas rights, which does not comprise a significant portion of the Foundation’s portfolio.

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NOTES TO FINANCIAL STATEMENTS

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Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which the fair value is measured using the net asset value per share practical expedient:

	2017	2016
Mellon Optima L/S Strategy Fund LLC	\$ 374,376	\$ 367,769
Hatteras Core Alternatives - TEI Institutional Fund LP	-	39,933
Total investments measured at net asset value	<u>\$ 374,376</u>	<u>\$ 407,702</u>

The Mellon Optima L/S Strategy Fund LLC (Mellon Fund) and Hatteras Core Alternatives – TEI Institutional Fund LP (Hatteras Fund) are valued at net asset value per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using the method are met.

The objective of the investments measured at net asset value includes seeking capital appreciation and current income. The share reported by the Foundation is proportionate to the Foundation’s relative capital contribution. Currently, the Foundation has no intentions of liquidating the investments in the Mellon Funds held at December 31, 2017. The Foundation liquidated its share in the Hatteras Fund during the year ended December 31, 2017.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Diocesan Support to the Foundation

In addition to contributions provided to the inner-city elementary schools by the Foundation, the Diocese provided direct support totaling \$150,000 in both 2017 and 2016 to the inner-city elementary schools. The Diocese also contributed services to the Foundation totaling \$4,179 in 2017 and \$4,053 in 2016 for office support.

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5. Conditional Pledges

As of December 31, 2017 and 2016, the conditional pledges to the Inner-City Endowment Fund totaled \$50,000, all of which is conditional based on its being dictated within the donor's will. Accounting standards generally accepted in the United States of America do not permit the recognition of conditional pledges until such time that the condition is met.

6. Funding of School Subsidies

At its meeting in December 2017, the Foundation's Board budgeted to fund operating and capital improvement subsidies to two inner-city elementary schools (Saint Benedict the Moor and Sister Thea Bowman Academy) through June 2019. The unrestricted assets on hand in the General Fund as of December 31, 2017 and 2016 are insufficient to meet this funding level by approximately \$1,646,185 and \$1,408,693, respectively. Consistent with prior years, this deficiency is expected to be met through donations, pledges, endowment fund investment income, and/or capital redemptions.

On March 27, 2018, the Foundation's Board approved providing operational support, with the start of the 2018-2019 school year, to the newly named Northside Catholic Assumption Academy in the Brighton Heights community of Pittsburgh. The school is a merger of Northside Catholic School in Brighton Heights and Assumption Catholic School in Bellevue. A budget of \$500,000 will be met through donations, pledges, endowment fund investment income, and/or capital redemptions.

7. Operating Leases

During 2015, the Foundation entered into an operating lease agreement for office space that extends through September 2020.

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The following is a schedule of future minimum lease payments required by the lease:

Year Ending December 31,	Amount
2018	\$ 44,411
2019	45,479
2020	34,443
Total	<u>\$ 124,333</u>

Rent expense approximated \$46,000 and \$42,000 for the years ended December 31, 2017 and 2016, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 consist of:

	2017	2016
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 95,000	\$ 166,243
Capital improvements	178,986	89,153
Scholarships	367,612	367,612
Learning program	-	2,727
Science program	-	2,351
Transition program	155,703	407,310
*Campaign funds	1,580,431	2,067,700
Early childhood program	14,020	-
Miscellaneous programs	-	750
	<u>2,391,752</u>	<u>3,103,846</u>
<u>Inner-City Endowment Fund:</u>		
Scholarship reserve	416,213	347,141
	<u>\$ 2,807,965</u>	<u>\$ 3,450,987</u>

*Campaign funds were solicited by the Foundation during the 2015 calendar year as part of their 25th Anniversary Campaign. These funds are temporarily restricted, as their intended

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purpose is for identified programmatic elements, expanded subsidies and scholarships, and predetermined capital projects. The funds are planned for use over the next several years for this purpose.

In addition to the temporarily restricted net assets noted above, at December 31, 2017 and 2016, the Foundation held in the Inner-City Endowment Fund Board-designated funds totaling \$810,450 and \$798,681, respectively, which are designated by the Board as operational reserves. The Foundation also held unrestricted – Board-designated funds in the Education Impact Fund totaling \$938,661 and \$799,877 at December 31, 2017 and 2016, respectively. Such funds are designated for supporting the post-elementary education of alumni graduating from Extra Mile supported schools.

9. Net Assets Released From Temporary Restrictions

During fiscal years 2017 and 2016, temporarily restricted net assets were released from donor or time restrictions by satisfying the restricted purposes as follows:

	<u>2017</u>	<u>2016</u>
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 71,243	\$ 59,945
Capital improvements	41,107	135,605
Scholarships	-	1,950
Learning program	2,727	32,129
Science program	2,351	5,865
Transition program	251,607	56,388
Campaign funds	487,269	-
Early childhood program	980	-
Miscellaneous programs	750	-
	<u>858,034</u>	<u>291,882</u>
<u>Inner-City Endowment Fund:</u>		
Spending policy transfers for school support	<u>1,018,718</u>	<u>987,024</u>
	<u>\$ 1,876,752</u>	<u>\$ 1,278,906</u>

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10. Employee Benefit Plan

The Foundation contributes to a simplified employee pension plan covering all full-time employees. Total pension expense was \$18,742 and \$24,216 for the years ended December 31, 2017 and 2016, respectively.